

# *CITY COUNCIL*

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## ***Committee of the Whole***

**Monday, October 22, 2012**

**Council Office**

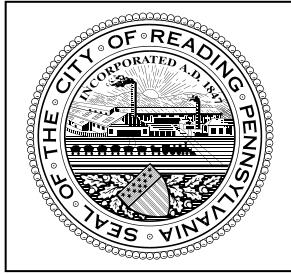
**5:00 pm**

**Agenda**

*Although Council committee meetings are open to the public, public comment is not permitted at Council Committee of the Whole meetings. However, citizens are encouraged to attend and observe the meetings. Comment from citizens or professionals during the meeting may be solicited on agenda topics via invitation by the President of Council.*

*All electronic recording devices must be located behind the podium area in Council Chambers and located at the entry door in all other meeting rooms and offices, as per Bill No.27-2012*

- I. Executive Session re Litigation**
- II. Water Meter Tampering Issue**
- III. Agenda Review**
- IV. Budget Follow-up List Review**



# ***COMMITTEE of the WHOLE***

## ***CITY COUNCIL***

**MINUTES**  
**October 8, 2012**  
**4:30 P.M.**

**COUNCIL MEMBERS PRESENT:**

D. Sterner, R. Corcoran, S. Marmarou, D. Reed

**OTHERS PRESENT:**

L. Kelleher, S. Katzenmoyer, C. Snyder, D. Cituk, C. Turtell, T. Butler, D. Kersley, C. Jones, R. Johnson, L. Murin, J. Miravich

The Committee of the Whole meeting was called to order at 4:36 pm by Councilor Reed.

**I. Waste Water Treatment Plant**

Mr. Miravich stated that City Council must approve a resolution adopting the City's Act 537 Plan in relation to the Waste Water Treatment Plant project. He explained that Spotts, Stevens, McCoy completed the plan which Council approved last year. He stated that the Act 537 Plan will guide the size and needs of the Waste Water Treatment Plant project based on future development projections. He stated that the Act 537 Plan will be submitted to the Department of Justice and the DEP.

Ms. Goodman-Hinnershitz arrived at this time.

Mr. Marmarou questioned if the other municipalities who send waste to the City's waste water treatment plant have seen the results. Mr. Miravich and Mr. Johnson stated that they have.

Mr. Marmarou questioned if any of the other municipalities objected to the results of the plan. Mr. Miravich stated that none voiced any objections.

Mr. Waltman and Mr. Spencer arrived at this time.

Mr. Johnson stated that all municipalities provided input prior to submission of the plan. He stated that Council must approve the resolution this evening to keep the project on track.

Mr. Spencer explained that the City must adopt the Act 537 plan to receive Pennvest funding.

Mr. Agudo arrived at this time.

## **II. Tax Amnesty Report**

Mr. Kersley distributed a memo to Council outlining the results of the project. He stated that this project served as an application for the City to improve their collections. He stated that 720 businesses participated in the program. He stated that the City was able to cross reference data in Hansen to determine who to contact about the program.

Mr. Kersley explained that as a result of the program, he is planning 13 improvement projects related to collection. He stated that he expects that after completion of these projects, the City will collect \$750,000 - \$1 million additional business privilege licenses and taxes annually.

Mr. Waltman questioned if all 13 projects could be implemented during 2013. Mr. Kersley stated that some will be complete in 2013 but that some may carry over to future years.

Mr. Waltman questioned if old fees/taxes were collected during the program or if they were more recent. Mr. Kersley expressed the belief that it was approximately 50% of each.

Mr. Waltman noted the need for Council to update policy as needed to punish those who did not participate but who owe money to the City. Mr. Kersley stated that the City can now properly notify those who owe the City money but that many claim they didn't know they needed to pay business privilege tax. He noted the need to be proactive with businesses.

Mr. Kersley explained that the 13 projects will take one year due to the interactions with many other City departments and the possibility of staff cuts to those offices.

Mr. Waltman questioned if the additional funding was included in the 2013 budget. Mr. Kersley stated that it was not. Ms. Snyder clarified explaining that the additional recurring revenue which was discovered during the program has been included.

Mr. Waltman suggested adding this topic to the budget follow up issues list.

Ms. Goodman-Hinnershitz stated that the decrease of staff in certain departments leads to a decrease in revenue for the City. She stated that people will fall back into old patterns.

Mr. Waltman stated that the select group who pays all that they owe are always being asked to pay more when others pay nothing. He stated that this pattern cannot continue.

Mr. Waltman stated that the business area seems similar to the housing situation several years ago when the City didn't know about many rental properties. Mr. Kersley stated that this situation is worse than the rental issue. He stated that he will need to focus much energy in this area.

Ms. Snyder explained that Council will be asked to transfer the funds collected through this program to the Contingency Fund at this evening's meeting.

Mr. Bembenick and Mr. Goss arrived at this time.

### **III. Review of 2011 External Audit Findings**

Mr. Cituk stated that the full external audit report will be posted on the City's website. He distributed copies to Council.

Mr. Turtell stated that he has prioritized the audit findings and distributed the prioritized list to Council. Mr. Turtell stated that priority number one must be better monitoring of the water and sewer collections. He stated that reports that are received must be reviewed for billables, collected and outstanding balances. He stated that this report was not available during the external audit.

Mr. Turtell stated that priority number two is monitoring of Community Development federal funding. He stated that draw downs must be made in a timelier fashion and the schedule of awards updated more frequently. He stated that he does not want poor monitoring to affect the City's future ability to access Community Development funds.

Mr. Turtell explained that numbers three and four work together regarding purchasing card policies and cash disbursements. He stated that staff must know that purchases are monitored to prevent abusive behaviors.

Mr. Turtell stated that priority number five is pension reporting. He stated that this area can be addressed through consistency in personnel and objective review by others in the Finance area.

Mr. Acosta arrived at this time.

Mr. Turtell stated that priority number six is addressing the microloan program. He stated that steps are being taken.

Mr. Turtell stated that the Administration is working on these issues and some steps have already been taken. He stated that items are moving forward.

Mr. Turtell outlined the remaining priorities:

- 7. Time sheets – the proper approvals are necessary. A new system is being implemented.
- 8. Reconciliation of real estate taxes – the need to monitor collection versus outstanding
- 9. Modified Accounting System – many corrections in other areas will correct this issue
- 10. State Grants – grants need to be monitored more closely

Mr. Turtell stated that many findings for 2011 were also findings from past years. He stated that much progress has been made and he is optimistic that several items will not be found in 2012.

Ms. Goodman-Hinnershitz questioned the process to address the findings. She suggested quarterly reports to Council. Ms. Snyder stated that the Audit Committee has received all the findings. She suggested that they review the findings with staff and create timelines for action. She agreed with quarterly meetings and reports to Council. Mr. Cituk stated that he supports quarterly meetings with the Audit Committee.

Mr. Sterner stated that he is glad the City is making improvements. He questioned if any findings have not had improvement. Mr. Turtell stated that it is okay that some findings are repeated. He stated that they may not be an overall priority to the City but many have been addressed. He expects that many will be resolved in 2012 or 2013. Mr.

Cituk stated that the City now receives monthly reports regarding the water and sewer funds which are reviewed regularly.

Mr. Sterner suggested the Audit Committee assist with addressing the findings. Mr. Cituk stated that the Audit Committee will report to the Council Finance Committee. He stated that they will assist moving forward.

Mr. Waltman thanked Herbein and Mr. Cituk for their work. He stated that he was glad the findings have been prioritized as these items cannot be left unattended. He stated that the City must find ways to increase revenue. He noted that residents voice their concern when public funds are not monitored closely. He stated that the City cannot make decisions in a vacuum without considering the financial implications.

Mr. Cituk stated that the formal audit presentation will occur at this evening's regular Council meeting.

#### **IV. Agenda Review**

Ms. Kelleher stated that two resolutions need to be added to this evening's agenda. She stated that the Act 537 resolution is one and that Mr. Corcoran has requested a resolution asking PFM to address the amendment to the Recovery Plan.

Council reviewed this evening's agenda including the following:

- Resolutions for Police Promotions

Ms. Snyder stated that a captain has resigned which caused the need for these promotions

- Contract Award for improvements at Schlegel Park Pool

Mr. Jones stated that much of this work is related to ADA compliance. He stated that some tile will also be replaced in the pool and new lifeguard chairs and benches will be purchased.

Mr. Sterner questioned if the ADA improvements were mandated. Mr. Jones stated that these are to be in compliance with new, more stringent ADA regulations. Mr. Spencer stated that other pools must also comply.

- Ordinance amending the Capital Improvement Program process

Ms. Kelleher explained that the Charter outlines the basic process and the Administrative Code gives more information. She stated that she has worked with

PFM to refine and improve the process. She stated that capital is also defined and this amendment creates an internal committee to review capital needs.

Mr. Waltman questioned if this was reviewed with the Administration. Ms. Kelleher stated that Mr. Solivan reviewed the amendment with the Mayor, the Mayor's staff and Managing Director. Mr. Spencer stated that he had not.

Mr. Waltman noted the need for further discussion. Ms. Kelleher stated that Mr. Solivan discussed the amendment with Mr. Lloyd and Mr. Murin. She stated that Charter language cannot be changed.

Ms. Goodman-Hinnershitz suggested that the amendment be tabled for further discussion and review by the Managing Director.

- Transfer Tax Amnesty income to Contingency Fund

Mr. Sterner requested an explanation of the Contingency Fund. Ms. Snyder stated that funds placed into the Contingency Fund cannot be removed without Council approval.

- Transfer of Emergency Shelter Grant funds to the Human Relations Commission

Ms. Snyder stated that the Human Relations Commission has used its 2012 funding for Emergency Shelter and that these funds can also be used as matching funds for additional grant funds.

- Transfer of Contingency Funds to Law

Ms. Butler distributed a memo from Mr. Younger outlining the funds needed. She explained that the funds are needed to cover outside counsel expenses. She stated that the Law Department has gone over-budget in this area.

Ms. Reed questioned the \$74,000 for Duane Morris. Ms. Butler stated that an explanation of this item would be needed in executive session.

Mr. Acosta questioned if legal staff could address any of the items currently being addressed by outside counsel. Ms. Butler explained that they now have four full-time attorneys on staff and some items can be moved in-house. She stated that the memo shows the amounts saved by using in-house attorneys.

Ms. Goodman-Hinnershitz noted the need for Law to discuss their needs with Council.

- Transfer PMI Salaries line to Abatement line

Ms. Snyder explained that there is salary funding available due to vacant positions. She stated that the abatements will be completed and the properties liened for the fees.

- Transfer funds from Trash/Recycling to General Fund

Ms. Snyder explained that this is the reversal of the former transfer to fund the Trash/Recycling programs until annual fees were received. She stated that the fees have been received and the funds will be placed back in the general fund.

- Ordinance amending the Blighted Property Review Committee

Ms. Butler stated that liens cannot be placed on properties for unpaid permit fees but they can be placed against the owners. She stated that the state statute broadens the definition of blight and this amendment makes that change to the BPRC process bringing the process into compliance with State law.

- Resolution creating the Microloan Program

Mr. Agudo stated that this resolution legally establishes the program. He stated that six loans have already been established and one is in default from 2010. He stated that he is pursuing the legal recovery of the funds.

Ms. Reed stated that the program needs an explanation.

Ms. Snyder questioned where the funds come from. Mr. Agudo stated that they are EZ-FRED funds administered by CIDC.

Ms. Kelleher questioned if the contract with CIDC has been executed. Mr. Agudo stated that it was executed in 2010.

Ms. Kelleher explained that there were faults with that contract. Mr. Acosta stated that there are many questions regarding this program. Mr. Agudo explained that a new contract has been drafted and is being reviewed by Law.

Mr. Acosta requested a copy of the contract. Mr. Agudo stated that CIDC has signed the contract and that it is currently being reviewed by Law. He stated that after Council approves the program this evening, the City will sign. He stated that Law has approved the contract.

Ms. Kelleher questioned the terms of the loans. Mr. Agudo stated that loans are between \$1,000 and \$35,000 for 5 – 7 years at 3% interest. Ms. Snyder explained that these are the same loan terms and that the new contract will supersede the former contract.



- Resolution requesting PFM correct the Recovery Plan EIT funding gap

Mr. Corcoran distributed the resolution. He stated that this resolution is a result of discussions at the meeting on Saturday morning. He stated that the flaw regarding EIT funding is contained in the Recovery Plan and that the Plan has not yet been amended.

Mr. Waltman questioned the November 1 date contained in the resolution. He suggested that the Plan be addressed sooner and suggested the end of this week. He stated that this has great affect on the budget strategy.

Ms. Kelleher suggested changing the date to October 15. Mr. Waltman stated that the resolution needs to be worded cordially and cautiously.

Ms. Goodman-Hinnershitz stated that the budget process is already delayed. She noted her concern with waiting for this issue to be addressed before moving forward.

Mr. Spencer suggested that the Managing Director also be added to the resolution so that PFM works with Law and the Managing Director. He noted his support of the resolution.

Ms. Goodman-Hinnershitz stated that the commuter tax can no longer be used as revenue if the City plans to exit Act 47. She noted the need to find other viable sources of revenue.

Mr. Marmarou noted his support of the Resolution. He questioned if any other Act 47 cities had made similar requests. Ms. Snyder stated that other cities have amended their plans. She stated that no city has exited Act 47. She stated that Court support is needed to raise the Commuter Tax and the City would need the support of PFM in Court. She stated that other cities in Act 47 have used the Commuter Tax for longer periods of time and at a higher rate than Reading. Mr. Spencer stated that other cities have different coordinators.

Mr. Waltman expressed his thanks to Mr. Corcoran for bringing this issue forward. He stated that other needs may be necessary as the issues moves forward.

Ms. Goodman-Hinnershitz noted the need for Council to continue the budget process.

Mr. Waltman stated that the Court system can move quickly when necessary.

## **V. Pennvest Loan**

Mr. Johnson explained that Mr. Edelman needed signatures on loan documents. He stated that he obtained the signatures at the budget meeting Saturday morning. He stated that the delay with obtaining the signatures moved the closing on this loan back to November 1.

## **VI. Executive Session**

Mr. Acosta stated that an executive session was necessary to discuss litigation issues as per Sunshine Act 708 Executive Sessions (a) #4.

Council entered executive session at 5:40 pm and exited at 5:50 pm.

The Committee of the Whole meeting adjourned at 5:51 pm.

*Respectfully Submitted by  
Linda A. Kelleher, CMC, City Clerk*